

## Message Text

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TAGS: OCON ICEM

SUBJECT: ICEM BUDGET DOCUMENT-SCBF

1. MISSION HAS REVIEWED NEW DOCUMENT SCBF/162- "PROPOSAL FOR THE ESTABLISHMENT OF A WORKING CAPITAL FUND" (WCF) FOR CONSIDERATION AT FORTHCOMING SCBF MEETING. COPIES HAVE BEEN AIR MAILED TODAY TO ORM.

2. MAIN POINTS OF DOCUMENT ARE: QUOTE:

(1) THE ESTABLISHMENT OF A WORKING CAPITAL FUND OF \$4,000,000.

(2) THE TRANSFER OF THE CASH RESERVE OF \$1,740,600 AND THE CONTINGENCY RESERVE OF \$1,000,000 INTO THE WORKING CAPITAL FUND.

(3) TO ASSESS MEMBER GOVERNMENTS IN 1977 IN ACCORDANCE WITH THE ASSESSMENT SCALE FOR THE ADMINISTRATIVE BUDGET FOR AN AMOUNT OF \$3 MILLION, DEDUCTING FROM THIS ASSESSMENT THE AMOUNTS PREVIOUSLY CONTRIBUTED TO THE CASH RESERVE (1,740,600). THIS ASSESSMENT WOULD BE PAYABLE OVER A TWO-YEAR PERIOD. A LIST OF MEMBER GOVERNMENTS WHICH HAVE CONTRIBUTED TO THE CASH RESERVE IS ATTACHED AS ANNEX II.

(D) TO AUTHORIZE THE DIRECTOR TO ASSESS MEMBER GOVERNMENTS IN THE SUBSEQUENT FINANCIAL PERIODS IN ORDER TO BRING THE WORKING CAPITAL FUND UP TO ITS AUTHORIZED LEVEL. UNQUOTE.

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3. ICEM HAS TWO SOURCES OF RESERVE FUNDS, CASH

RESERVE \$1,740,600 AND CONTINGENCY RESERVE \$1 MILLION. RESOLUTIONS GOVERNING USE OF TWO FUNDS ARE RESTRICTIVE AND FUNDS ARE NOT AVAILABLE FOR USE WITHOUT COUNCIL APPROVAL. THE CASH RESERVE IS TO BE USED FOR "CASH REQUIREMENTS PENDING RECEIPT OF ASSURED INCOME AND TO SOLVE TEMPORARY EXCHANGE PROBLEMS" AND CONTINGENCY RESERVE FOR "MEETING CONTINGENCIES ARISING FROM THE IMBALANCE OF MOVEMENTS BETWEEN THOSE COVERED ADEQUATELY BY GOVERNMENT CONTRIBUTIONS AND THOSE NOT SO COVERED."

4. IN ASSESSMENT TO MEMBER GOVERNMENTS BASED ON ADMINISTRATIVE BUDGET, DIRECTOR RECOMMENDS OFFSETS TO PREVIOUS CONTRIBUTIONS (SEE PARA 2 (3) ABOVE) MADE BY GOVERNMENTS TO CASH RESERVE. THIS CONSISTS 13, GOVERNMENTS: 10 EUROPEAN, SOUTH AFRICA, ARGENTINA AND USA. BY FOLLOWING THIS FORMULA, COUNTRIES WITH HIGH ASSESSMENT SCALE, ESPECIALLY USA, WOULD BEAR BRUNT OF FUTURE CONTRIBUTIONS TO WCF TO KEEP WCF UP TO PROPOSED \$4 MILLION. RESULT COULD BE GOVERNMENTS BEING ASSESSED FOR DRAWDOWNS MADE FROM WCF DURING YEAR.

5. IF WCF IDEA APPROVED BY SCBF AND ACCEPTED BY COUNCIL, DIRECTOR WOULD PRESUMABLY HAVE FREE HAND TO DRAW DOWN ON FUNDS WITHOUT PRIOR APPROVAL MEMBER GOVERNMENTS. IMPORTANT TO NOTE THAT WITH CONTINUING DEFICITS IN BUDGETS, ESPECIALLY LAP, DIRECTOR COULD OFFSET MOST IF NOT ALL DEFICITS BY CLAIMING THEY RESULT FROM INFLATION AND/OR CURRENCY FLUCUATION. THIS COULD RESULT IN USA MAKING HIGHER CONTRIBUTIONS TO BUDGETS THAN THOSE PROJECTED STARTING CY 1976.

6. MISSION RECOMMENDS THAT SCBF REP BE INSTRUCTED TO ANNOUNCE USA POSITION TO POSTPONE CONSIDERATION THIS SUBJECT UNTIL ICEM HAS OPPORTUNITY TO DEVELOP NEW SINGLE BUDGET CONCEPT STARTING IN CY 1977. DALE  
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